UNI-BIO SCIENCE GROUP LIMITED

聯康生物科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0690)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS FOR THE PERIOD ENDED 30 JUNE 2022

- For the period ended 30 June 2022 (the "**Period**"), the Group recorded a turnover of approximately HK$195.6 million, representing a noticeable increase of 24.6% year-on-year ("**YoY**").
- The Group achieved a record high profit for the Period of approximately HK$14.6 million with a significant increase of 663.6% YoY. The profit was solely from its core operations and organic growth.
- During the Period, general and administrative expenses as percentage of revenue decreased from 14.2% to 12.1%. Selling and distribution expense as percentage of revenue decreased from 48.5% to 43.5%.
- Pinup® and Boshutai® generated remarkable turnover, sales of Pinup® and Boshutai® registered significant increase of 75.6% YoY and 410.2% YoY respectively.
- New Drug Application ("**NDA**") for Bogutai® (teriparatide injection) had been submitted and the clinical work of Uni-GLP-1 injection pen was being accelerated.
- The Group launched its new research center in Hong Kong and upgrade its business model to a "four-wheel drive" model, which included high-value generic drugs, bio-innovative drugs, new skincare raw materials and CMO business. The Group has been building a highly commercial-driven and specialized boutique R&D platform, tightly integrating research and production under one roof.
- The Group's Acarbose Tablets (Boshutai®) was successfully selected for Henan Thirteen Provinces Alliance Procurement with procurement validity period set at 2 years.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of the Uni-Bio Science Group Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Uni-Bio**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 (the "**1H2022**" or the "**Period**") as follows:

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June (Unaudited)

	2022	2021
Revenue *(HK$'000)*	**195,578**	156,984
Gross profit *(HK$'000)*	**144,507**	124,444
R&D expenses (including capitalised portion) *(HK$'000)*	**24,316**	21,368
Profit before taxation	**15,289**	2,890
EBITDA *(HK$'000)*	**27,573**	13,101
Gross profit margin *(%)*	**73.9%**	79.3%
R&D costs (including capitalised portion) to revenue *(%)*	**12.4%**	13.6%
As at 30 June/31 December		
Cash ratio *(times)*	**1.07**	0.91
Current ratio *(times)*	**2.62**	2.18
Trade payable turnover days *(days)*	**25**	22
Trade receivables turnover days *(days)*	**41**	52
Inventory turnover days *(days)*	**152**	134
Debt-to-equity ratio *(%)*	**45.3%**	53.5%
Total assets turnover *(%)*	**74.5%**	132.1%

UNAUDITED FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Period ended 30 June		
	2022	2021	
	HK$'000	*HK$'000*	**Change**
Revenue from sales of marketed pharmaceutical products	**195,578**	156,984	24.6%
Cost of sales	**(51,071)**	(32,540)	56.9%
Gross profit	**144,507**	124,444	16.1%
Other net gains/(losses)	**842**	842	N/A
Selling and distribution expenses	**(84,989)**	(76,105)	11.7%
General and administrative and other expenses	**(17,471)**	(14,841)	17.7%
Provision for litigation	**(2,394)**	–	N/A
Operating profit from marketed biological and chemical pharmaceutical products	**40,495**	34,340	17.9%
Other income and other loss	**5,613**	87	6,351.7%
Research and development costs	**(24,316)**	(21,368)	13.8%
Other administration expenses	**(6,243)**	(7,451)	–16.2%
Finance costs	**(168)**	(273)	–38.5%
Equity-settled share based payment expenses	**(92)**	(2,445)	–96.2%
Profit before taxation	**15,289**	2,890	429%

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2022, a number of provinces and cities in China suffered from regional outbreaks of the highly transmissible COVID-19 variants and the local governments imposed stringent prevention and control measures to preserve the public health and safety. This inevitably affected hospital visits, product delivery logistics and production to a certain extent. Nevertheless, with its integrated platform of diverse drug portfolio and distribution channels, the Group managed to mitigate the adverse impact and achieve turnover and profit growth for the Period.

The reform of the Chinese pharmaceutical industry continues with government initiatives and incentives. From promoting medical innovations, ensuring affordable and accessible drugs for patients, to encouraging specialization (CMO/CRO/CDMO) along the supply chain, the market has become more regulated and healthier for long term development and the market size is estimated to reach RMB1,868 billion in 2022, according to Frost & Sullivan. Besides, as the overall scale of Chinese aesthetic medicine market continues to expand underpinned by the steady growth of consumer disposable income and consumption upgrading phenomenon, the government has constantly introduced policies to support the standardization of the industry. According to Foresight Industry Research Institute, China's medical aesthetics market was RMB227.4 billion in 2021, representing an increase of 15.1% year-on-year ("**YoY**"), and expected to reach RMB264.3 billion in 2022. The Group considers the outlook of Chinese pharmaceutical and aesthetic medical market positive for well-established companies like Uni-Bio Science Group to grasp the huge market potential and create great value for consumers and the industry.

BUSINESS REVIEW

Uni-Bio Science — A Fully Integrated Biopharmaceutical Company

Uni-Bio Science Group is a biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatology and ophthalmology. From R&D, production, manufacturing, to sales and distribution of biopharmaceutical and chemical drugs, the Group has established a fully integrated business platform serving the entire value chain. As of 30 June 2022, the group has launched four products into the market, namely GeneTime®, GeneSoft®, Pinup® and Boshutai®.

KEY ACCOMPLISHMENTS IN THE FIRST HALF OF 2022

Achieved Strong Results for the First Half of 2022

The Group's turnover achieved a record high for the Period with a noticeable increase of 24.6% YoY. Sales of Pinup® and Boshutai® performed particularly well, thanks to the potential of the Group's diverse distribution channels being gradually unleashed. The Group achieved a profit for the Period of HK$14.6 million with a significant increase of 663.6% YoY, indicating that the operating leverage has been ramped up. Over the years, the Group has deployed stringent management of capital, along with the increasing sales recorded during Period, gave way to a stronger financial position of the Group at the period-end, laying a solid foundation for future growth.

Building a Highly Commercial-Driven and Specialized Boutique R&D Platform

In June 2022, the Group launched its new research center in Hong Kong, which marked the official upgrade of the Group's business model to a "four-wheel drive" model, which included high-value generic drugs, bio-innovative drugs, CMO business, and the newly introduced, advanced skincare raw materials. The Group has been building a highly commercial-driven and specialized boutique R&D platform, tightly integrating research and production under one roof. The Group continues to focus on product development in diabetes, ophthalmology, orthopedics and other therapeutic areas, as well as aesthetic medical, in order to generate a sustainable "S-curves" growth.

Marketing Application of Bogutai® has been Officially Accepted by China NMPA

In June 2022, the marketing application of Bogutai® (teriparatide injection) was accepted by the China National Medical Products Administration ("**NMPA**"). Developed in collaboration with Swiss self-care giant Ypsomed, Bogutai® will provide osteoporosis patients with a better drug choice, and it will be a major milestone for the Group in the field of orthopedic diseases. Bogutai® is the Group's fifth marketed drug and it is also the first domestic manufactured PTH Liquid in China to use a disposable injection pen. According to MarketResearch, osteoporosis market size in China was around USD81.5 billion in 2021. With the aging of Chinese's population and improvement of medical insurance system coverage, the market size of teriparatide is expected to accelerate significantly. The Group strongly believes that Bogutai® will be a future blockbuster for the Group by virtue of the product's strong cost advantage, better therapeutic effect and convenient administration method.

Boshutai® was Successfully Selected for Henan Thirteen Provinces Alliance Procurement

In June 2022, the Group's Acarbose Tablets (Boshutai®) successfully won the bid of the drug alliance procurement of Henan, Shanxi, Mongolia, Hubei, Hunan, Guangxi, Hainan, Chongqing, Guizhou, Qinghai, Ningxia and New Corps (the 13-provinces Alliance Procurement) for the second and fourth batches of medicines for two years. This marked another milestone for the Company and has given the Group an opportunity to quickly expand the in-hospital market share. To satisfy the massive demand for Boshutai® going forward, the Group has already expanded its production capacity in its Suzhou production site to ensure its supply stability. In the future, the Group will continue to expand towards high-value generic products, for example a project about Diquafosol Sodium Eye Drops in pipeline. The Active Pharmaceutical Ingredient ("**API**") cost advantages of the Group as well as the Blowing Filling and Sealing packaging technology will bring huge advantages to the Group in the competition of high-value generic products.

R&D and Pipeline Progress

During the Period, the Group continued to focus on developing innovative and proprietary products in endocrinology, ophthalmology, and dermatology fields. Currently, the Group has several leading patented biopharmaceutical products, certain high-value generic and skincare raw material products under various stages of development The Group's R&D team is working diligently to research and discover newly-patented drugs to fulfill the unmet medical needs of patients.

Patented Biopharmaceutical Products

Products/ Components	Indication	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3	BE	NDA	Marketed
Metabolic									
Uni-PTH (liquid)	Osteoporosis	✔	✔	CTE	CTE	CTE	✔	✔	
Uni-PTH (oral)	Osteoporosis	✔	✔						
Uni-GLP-1 (Liquid)	Type 2 Diabetes	✔	✔	CTE	CTE	✔			
Uni-GLP-1 (liquid)	Obesity	✔	✔						
Uni-GLP-1 (oral)	Type 2 Diabetes	✔	✔						
Ophthalmology									
UB101	AMD	✔							
UB102	AMD	✔							
Dermatology									
UB103	TBD	✔							
Wound Healing									
UB104	Wound Healing	✔							

Note: BE, bioequivalence, CTE, the abbreviated form of clinical trial exemption, refers to the authorization to administer an investigational agent to patients or volunteer subjects under specified conditions of a particular research study in a clinical setting. Upon approval, the new drug can be exempted from Phase I/II/III clinical trial.

Uni-PTH

Uni-PTH (a recombinant human parathyroid hormone 1-34 analogue), a proprietary product that is under R&D of the Group, is effective in treating osteoporosis and bone pain, increasing bone density and reducing the risk of bone fracture. Currently, the drug is the only class of anabolic agent which can actively increase bone density and reduce the chance of vertebral and hip fractures by stimulating osteoblasts activity. Through stimulating new bone formation, Uni-PTH can quickly improve bone quality and increase bone density within 6 months of treatment, therefore reducing fracture incidence and bone pain, which is especially helpful in treating patients with moderate-to-severe osteoporosis and ostealgia. 2nd Generation Uni-PTH improves upon the formulation of 1st Generation Uni-PTH in terms of patient convenience. Uni-PTH is also one of the few fully biological expressed parathyroid hormone analogues in the world and has very limited number of direct competitors in the Chinese market.

The 2nd Generation Uni-PTH (pre-filled injection pen) is the first injection pen in China, with unparalleled dosing accuracy and minimized injection pain. It has been proven that it is effective to increase bone density, reduce fracture incidence and it is more convenient and safer for patient to use. In June 2022, New Drug Application ("**NDA**") for the 2nd Generation liquid form Uni-PTH had been submitted and is expected to be approved for marketing in 2023. The development of the 3rd Generation oral form Uni-PTH is under preparation for data collecting now.

Uni-GLP-1

The Group's GLP-1 product is the first biologically expressed GLP-1 agent in the world. Although the biological expression of GLP-1 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to the natural GLP-1 existing in living body in terms of secondary structure, with a more complete and stable biologically spatial structure, leading to potentially better efficacy and safety. Due to its higher technical requirement, the product cannot be easily replicated, thus enjoying greater advantages in pricing, price support (as it is not included in the national volume-based procurement) and higher entry barrier compared with chemically synthesized Exenatide. The product also enjoys the benefits from stable active pharmaceutical ingredients supply as no external procurement is required. With its clinical, cost and pricing advantages, Uni-GLP-1 has the potential of becoming a leading product in China. In addition, the liquid formulation developed by the Group is compatible with safe and efficient injection pens for multiple uses without reconstitution, offering greater convenience compared with the powder formulation.

In the past two years, the Group had collaborated with universities to conduct Obesity indications and oral GLP-1 formulation product R&D. During the collaboration, we were surprised to find that, the results of long-term administration of the drug on the weight of DIO mice showed equivalent weight loss effect at a dose many times lower than that of liraglutide. In addition, no serious gastrointestinal reaction (vomiting) was found in DIO mice at all stages of the experiment, and the weight loss effect did not show a drastic recovery after the cessation of administration. Meanwhile, the serum parameters indicated that the product had both weight loss and liver protection effects. The oral GLP-1 developed by the research team breaks through the technical barriers of GLP-1RA oral administration, its bioavailability is more than 2 times better than the clinical bioavailability of semaglutide, the marketed oral GLP-1 product found abroad. Based on the pharmacokinetic data analysis in rats, this product is expected to provide more effective and better compliance options for patients who currently cannot achieve target glucose levels through oral hypoglycemic chemical agents, which is worthy of further research.

During the Period, the clinical work of Uni-GLP-1 injection pen was being accelerated. Currently, the development of oral form Uni-GLP-1 was also under preparation to expand the value of the product and offer convenience to users.

DOTBODY Projects

UB101 (Bivalent nanobody) is used to treat wet age-related macular degeneration (wet AMD) and works by stopping abnormal blood vessel growth and leakage in the eye(s) that may cause vision loss. The current standard of care for the treatment of wet AMD is administered by intravitreal injection, which brings great inconvenience to patients. Currently, the Group is working on innovative technology to overcome the limitations of intravitreal injection treatment and in preparation for preclinical in vitro and in vivo test.

UB102 (Bispecific nanobody) is capable of blocking two proangiogenic receptors and a combined blockade of them has a greater inhibitory efficacy compared with inhibition of either factor alone. It was designed for the treatment of ocular diseases including wet AMD. Compared to UB101, UB102 can better relieve the symptom. VABYSMO (Faricimab, Roche) is used to treat the following eye disorders: neovascular (wet) age-related macular degeneration (nAMD) and diabetic macular edema (DME). Wet AMD can require treatment with eye injections every one to two months by other drugs. People receiving Vabysmo could be treated every three to four months, which significantly reduces the number of injections, thus reducing the risk of complications caused by eye injections. Vabysmo can block two disease pathways linked to several vision-threatening retinal conditions by neutralizing angiopoietin-2 (Ang-2) and vascular endothelial growth factor-A (VEGF-A). And these two targets are the same as our UB102. We expect similar superiority for the UB102. The Group is developing the bispecific nanobody based on our technology platform as planned.

According to the Frost & Sullivan Report, the number of patients with wet AMD in China was 3.4 million in 2017 and is expected to reach 4.0 million in 2022 and 4.8 million in 2030. The Group believes that there is a significant commercial demand for the treatment of wet AMD. Currently, the Group is exploring different innovative technologies with DotBio to provide an alternative to existing therapy. To capture more value in the dermatology space, the Group may also develop a 3rd molecule with DotBio but the target is still to be decided.

EGF-Nanofibers Wound Dressing

UB104 (EGF-Nanofibers wound dressing) possesses ideal wound dressing characteristics. Slow-release growth factors promote wound healing, and Nanofiber has excellent breathability and antibacterial properties. As an advanced wound dressing, EGF-Nanofibers can be widely used in wound healing, especially for chronic wounds, and has an up-and-coming market. According to the Fortune Business Insights, the global wound care market size is expected to gain momentum by reaching USD24.01 billion by 2028 while exhibiting a CAGR of 6.1% between 2021 and 2028. In China, the change of population structure, the improvement of medical system and the increase of income level provide an upside for the market of medical dressing. From 2014 to 2018, the market size of China grew from RMB5.52 billion to RMB13.62 billion, with a compound annual growth rate of 25.3%. It is predicted that the market size of China dressings industry will maintain a CAGR of 11.1% between 2019 and 2023, and the market size will reach RMB23.45 billion in 2023.

Advance Skincare Raw Materials

Efficacy skin care is increasingly popular. Synthetic biology is becoming an essential research direction with disruptive potential in the cosmetical space. Relying on the Hong Kong Science Park, the Group is dedicated to promoting the development of active skincare substances through various advanced biomanufacturing methods, including synthetic biology. The Group formed joint strategic R&D partnerships with the Chinese University of Hong Kong and the Hong Kong Nano and Advanced Materials Institute, focusing on R&D and production. The Group formed joint strategic cooperation with Global Cosmetics (China) Company Ltd. ("**Global Cosmetics**") on promoting and applying active substances to final products. The new skincare raw materials under research in the new laboratory of the Group include fibronectin, beauty peptides, collagen, microecological skincare product, and stem cell exosome product. The materials are safe in composition, excellent in efficacy, and widely used. Currently, the Group effectively leverages the research ecosystem of Hong Kong Science Park, Uni-Bio Science Group's bioprocessing platform and Global Cosmetics' extensive experience in the field of cosmetics to commercialize these products quickly.

Products/Components	Discovery	Product Development	Formulation Development	Marketed
Fibronectin	✔	✔	✔	
Beauty peptides	✔	✔		
Collagen	✔	✔		
Microecological skin-care	✔			
Stem cell exosome	✔			

Fibronectin

Fibronectin is a multifunctional extracellular matrix glycoprotein that is widely involved in cell migration, adhesion, proliferation, hemostasis, and tissue repair. In the field of skin care products, fibronectin is safe and effective for skin barrier repairing (damaged skin, acne-prone skin, sensitive skin, etc.).

Beauty Peptides

Peptides have various cosmetic benefits and each peptide used in products has a specific activity. Our product lines focus on anti-wrinkle, anti-aging, skin-whitening, anti-allergy, etc. Our long-standing experience of clinical grade peptide manufacture applies equally to cosmetic peptides. The recombinant DNA approach could be more attractive in terms of costs and have a lower environmental impact and faster development time, than the current chemical manufacturing technologies.

Collagen

Collagen is the most abundant protein in the human body, making up from 25% to 35% of the whole-body protein content. It forms a network of elastic fibers that supports the skin, maintaining its elasticity and locking in moisture. Collagen production decreases by approximately 1% each year of age after maturity (about age 21), leading to a loss in firmness and elasticity of the skin. Collagen skincare products could be widely used in moisturizing, maintaining the skin barrier, and anti-aging.

Microecological Skin-care

This microecological skincare product is derived from probiotic fermentation that balances beneficial skin flora, repairs the skin barrier, produces organic acids to maintain skin health, promotes wound healing, and reduces UV damage. New strains are developed through synthetic biology modification. The effect can be further enhanced and unique skincare and beauty effects can be achieved.

Stem Cell Exosome

Exosomes are emerging bioactive substances involved in multiple biological and cellular activities of the skin. These nanosized small membrane vesicles (30-100nm) are secreted by all eucaryotic cells, including skin cells. Mesenchymal stem cells (MSCs) are multipotent cells with immunomodulatory and trophic effects. Exosomes from stem cells promote skin regeneration, collagen synthesis, and help minimize scar formation. Exosomes are non-immunogenic and safe as topical skincare.

High Value Generic Products and Bioequivalence Studies

Product	Indication	Status	Remark
Endocrinology			
Boshutai®	Type 2 Diabetes	Boshutai® (Acarbose Tablets) was included in Henan Thirteen Provinces alliance procurement	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	Pinup® was included in national centralized procurement in 2021	

Boshutai®

Boshutai® (Acarbose tablet) is an oral anti-diabetic drug targeting patients with pre-diabetes condition who need to be treated early, or those with poorly-controlled post prandial hyperglycemia. Acarbose tablet is especially suitable for Asians' carbohydrate-rich diet.

After being officially approved for marketing in China by the NMPA and passed GMP manufacturing, the Group started the mass production of Boshutai® and prepared for the bid for the procurement. In May 2022, the Group successfully received MAH approval to manufacture Acarbose and transferred manufacturing lines to Suzhou No. 4 Pharmaceutical Factory site in order to enhance the production efficiency and reduce cost. Hence, the Group's supply chain security increased significantly and ready to participate in future procurement rounds. During the Period, Boshutai® successfully won the bid for the Henan Thirteen Provinces Alliance procurement with a 2-year procurement validity period.

Pinup®

Pinup® (Voriconazole tablets) is a major drug for the treatment of severe fungal infections. As the first line treatment recommended by clinical guidelines, Voriconazole takes action by blocking the growth of the fungal cell wall, and is widely used in oncology, hematology, respiratory, and ICUs patients who have compromised immune systems.

According to Frost & Sullivan, the market of anti-fungal drugs in China, in terms of sales revenue, amounted RMB25.5 billion in 2019 and represented a CAGR of 6.5% from 2015. The market is estimated to grow at a CAGR of 3.3% from 2019 to 2024 and reach RMB30.0 billion in 2024. The market is estimated to further grow at a CAGR of 4.1% from 2024 to 2030 and to reach RMB38.0 billion in 2030. Voriconazole Tablets (Pinup® 50ml) was successfully included in the Fourth Batch of the National Centralized Procurement of Drugs in 2021 and the Group was in a great position to increase public hospital market share. Currently, the Group is working towards optimizing the product's manufacturing cost and enhance production efficiency, to maintain its advantages in the future renewal of bids.

RESULTS OVERVIEW

For the Period, the Group recorded a turnover of approximately HK$195.6 million, representing a significant increase of 24.6% year-on-year (first half of 2021: HK$157.0 million). The increase in turnover was mainly attributable to the remarkable sales growth of Pinup® and Boshutai®.

Cost of sales for the Period increased by 56.9% to approximately HK$51.1 million for the first half of 2022 from approximately HK$32.5 million of the same period of 2021. Gross profit was approximately HK$144.5 million, representing an increase of 16.1% as compared with approximately HK$124.4 million for the first half 2021, whereas gross profit margin was 73.9% (first half of 2021: 79.3%). The Group continued its strict control in general and administrative expenses, which only accounted for 12.1% of turnover for the Period as compared with 14.2% for the same period last year. The selling and distribution expense for the Period also decreased to 43.5% of turnover from 48.5% that of the same period last year partly due to the direct sales of GeneSoft® started in the second half of last year with the Group's self-developed, stable and efficient sales team since the second half of 2021. The Group's sales team has greatly enhanced the distribution channel, promotion capability and efficiency of GeneSoft®. The R&D expenses increased by 13.8% to approximately HK$24.3 million as the Group continued to be a research- and innovation-focused enterprise.

The Group recorded earnings before interest, tax, depreciation and amortization ("**EBITDA**") for the Period of HK$27.6 million as compared to HK$13.1 million of the same period last year. Other revenue for the Period surged by 6,351.7% to approximately HK$5.6 million, which was mainly attributable to its growing CMO business. Despite of the Group's continuous investment in R&D, its cash flow from operating activities for the Period remained positive. This reflects the Group's strong capability to generate its own capital and support its major investments.

The Group recorded a profit of approximately HK$14.6 million for the Period, representing a dramatically increase of 663.6% year-on-year (first half of 2021: HK$1.9 million). The increase in profit was mainly attributable to the impressive sales growth of GeneSoft®, Pinup® and Boshutai®, the increase in CMO business as well as the effective control of operating expenses. Basic earnings per share was at approximately HK$0.23 cents (first half of 2021: HK$0.03 cents).

Marketed drugs sales

GeneTime®

The Group's star product, GeneTime®, is a prescription biological drug for wound healing. During the Period, turnover generated from GeneTime® was approximately HK$72.7 million, representing a decrease of 11.7% from approximately HK$82.4 million in the first half of 2021. The production of GeneTime® was interrupted in the first quarter of 2022 due to the pandemic prevention and control measures implemented by the local government, resulting in the decrease of sales volume. Yet, the production was fully resumed and upgraded by the end of the Period. The upgrades included the successful passing of two-shift production simulation filling verifications and the continuous optimization of upstream production process, which have fully enhanced the production capacity of GeneTime®. In view of the stabilizing COVID-19 condition in China in the second half of 2022, the Group is confident to regain the growth momentum with its enhanced capacity and achieved a full-year growth.

GeneSoft®

GeneSoft® is a therapeutic drug for dry eye syndrome, corneal damage and post-operative healing. During the Period, GeneSoft® recorded an increase in turnover from approximately HK$17.2 million to approximately HK$17.8 million, representing an increase of 3.1%, despite the short-term production interruption in the first quarter of 2022 due to the same reasons above. Thanks to the Group's a self-developed and efficient sales team, optimizing the distribution channel, enhancing promotion capability and efficiency of GeneSoft® since the end of its sales agreement with China Resources Zizhu Pharmaceutical Co., Limited back in June 2021, the direct sales growth for the Period had offset the impact of production interruption.

Pinup®

The Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) recorded a noticeable increase of 75.6% in turnover from approximately HK$56.1 million to approximately HK$98.5 million during the Period. The increase was attributable to Pinup®'s inclusion in the national centralized procurement in 2021, which has secured the Group with massive hospital orders. During the Period, the Group had allocated more production capacity to support the order growth for Pinup®.

Boshutai®

The Group's product Boshutai® (Acarbose tablet) is a small molecule drug to treat diabetes launched in early 2021. During the Period, turnover of Boshutai® increased substantially from approximately HK$1.3 million to approximately HK$6.5 million, representing a significant increase of 410.2%. To expand the production capacity, the Group shifted Boshutai®'s production to its partner's Suzhou manufacturing site, which is significantly larger in scale.

On 2 June 2022, Boshutai® was successfully selected for the centralized procurement by the Henan Thirteen Provinces Alliance. The procurement validity period is set at 2 years and the proposed price is the highest among the peers to ensure adequate profit. It is expected that the Group will quickly obtain new in-hospital sales and enjoy the successful commercialization of its fourth marketed drug in the second half of this year.

FINANCIAL PERFORMANCE REVIEW

Turnover

Sales Developments

For the six months ended 30 June 2022, the Group recorded a turnover of approximately HK$195.6 million, representing a significant increase of 24.6% YoY.

Proprietary Biological Pharmaceutical Products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Period, proprietary biological pharmaceutical products recorded approximately HK$90.5 million of sales, representing a decrease of 9.1% compared with the same period of last year. Proprietary biological pharmaceutical products represented 46.3% of total sales for the Period.

Proprietary Chemical Pharmaceutical Products

The Group's chemical pharmaceutical products include Pinup® (Voriconazole tablets which is tailored to treat severe fungal infection) and Boshutai® (Acarbose tablet). During the Period, the segment achieved a turnover of approximately HK$105.1 million, representing a significant increase of 83.1% compared with the same period of last year.

Gross Profit and Gross Profit Margin

During the Period, gross profit was approximately HK$144.5 million, representing an increase of 16.1% as compared with approximately HK$124.4million for the first half of 2021. The increase in gross profit was mainly led by the surge of turnover generated from the Group's major products. Gross profit margin was at 73.9% (first half of 2021: 79.3%) due to Pinup®'s price concession for the national centralized procurement and its significant increase in sales volume. The decreased production volume of higher margin proprietary biological pharmaceutical products resulted from the short-term production interruption in the first quarter of 2022 also led to a decrease in margin.

Selling and Distribution Expenses

During the Period, selling and distribution expenses recorded an increase from approximately HK$76.1 million in the first half of 2021 to approximately HK$85.0 million in the first half of 2022, while the percentage of selling expenses over turnover decreased to 43.5% in the first half of 2022 from 48.5% in the same period last year. The decrease was mainly attributable to the impact of the direct sales of GeneSoft® started since the second half of 2021 as well as the Group's continuous structural adjustments to its direct sales team and its distribution strategies.

Research and Development Expenses

With several ongoing research on its drugs and new aesthetic medical products, R&D expenses in the first half of 2022 was approximately HK$24.3 million, representing an increase of 13.8% from approximately HK$21.4 million for the same period of 2021. In terms of percentage to turnover, R&D expenses decreased from 13.6% for the first half of 2021 to 12.4% for the Period, which was mainly due to the surge in turnover.

General and Administrative Expenses

For the Period, general and administrative expenses increased from approximately HK$22.3 million in the first half of 2021 to approximately HK$23.7 million in the first half of 2022, representing an increase of 6.4%. The increase included the preliminary investment in the production capacity expansion plan in Dongguan as well as the increases in the number of employee and salary. Yet, the expenses accounted for 12.1% of turnover as compared with 14.2% for the same period last year. The decrease demonstrated the Group's great efforts in efficiency improvement and cost control.

Other Revenue

Other revenue for the Period was approximately HK$5.6 million, representing a significant increase of 6,351.7% when compared with approximately HK$0.087 million for the same period of last year. The increase was mainly attributable to its growing CMO business, which is expected to continue expanding in the future.

Profit for the Period

Profit for the Period soared from approximately HK$1.9 million in the first half of 2021 to approximately HK$14.6 million in the first half of 2022, representing a significant increase of 663.6%. The Group achieved the record high profit for the period and the profit was solely from its core operations and organic growth. It signifies that the Group was on its right track of profit growth.

PROSPECTS

Outlook

As written in several national strategic plans, such as "Made in China 2025" and "China's 14th Five-Year Plan (2021–2025)", China has been promoting the R&D development in the healthcare and biopharmaceutical sector. As an excellent enterprise integrating R&D, production and sales in the field of biological peptides, Uni-Bio Science Group has been going full force to support the government's initiatives. To ride on the favorable policies and capture the growing market opportunity, the Group has officially upgraded its business model to a "four-wheel drive" model, which includes high-value generic drugs, bio-innovative drugs, new skincare raw materials and CMO business, especially focusing on diabetes, ophthalmology, orthopedics and other therapeutic areas. With a new R&D centre set up in Hong Kong Science Park, the Group will be able to develop new innovative bio-products more quickly and efficiently, expand its product portfolio and reshape its R&D system, thus opening up new room for strategic growth.

Short Term: Existing Product Lines Come to Fruition and Will Further Enhance the Group's Profitability

The Group's marketed drugs have been performing well since their launches. Specifically, sales of the star products, GeneTime® and GeneSoft®, have generally recovered from the adverse impact of the pandemic. The resilience of the products in such challenging period signifies the products' competitive edge over peers and it's expected the two products will keep on contributing stable income to the Group. Meanwhile, one of two high-value generic drugs of the Group, Boshutai®, was successfully selected for the centralized procurement by the Henan Thirteen Provinces Alliance in June 2022. Together with Pinup®, the other high-value generic drug which was among the first to be selected in the national centralized procurement last year, the Group believe that the two products will continue to deepen their commercialization and gain greater market share, thus bringing more significant contributions to the Group.

Besides the matured products, the Group has been collaborating with Global Cosmetics to develop new competitive and effective skincare raw materials. Global Cosmetics has more than 20 years of experience in the skincare industry, with particular competitive edge in the R&D of functional raw materials and high-end formulation, as well as quality product manufacturing. The cooperation between Uni-Bio Science Group and Global Cosmetics covers biotechnology, synthetic biology, and peptides, mainly comprising of the production of 5 functional raw materials, including collagen, fibronectin, beauty peptides, probiotics and exosomes. These materials are safe in composition, excellent in efficacy and can be widely used in the field of medical cosmetology and functional skincare. Leveraging on Global Cosmetics's expertise in daily cosmetics and its well-established partner network, together with the Group's extensive experience in pharmaceutical R&D, this collaboration is dedicated to commercializing the products as early as in the first half of 2023. The Group is confident that the launch of the new products would further diversify its revenue stream and enhance its profitability going forward.

Following the acceptance of its marketing application by the NMPA in June 2022, Bogutai® (teriparatide injection) is likely to be the Group's fifth marketed and self-developed drug, as well as the first domestically manufactured PTH Liquid in China to use a disposable injection pen. Once it is approved for marketing, Bogutai® will provide patients with a better drug choice of reducing significantly the risk of vertebral and nonvertebral fractures in postmenopausal women. According to MarketResearch's statistics, the osteoporosis market in China is expected to grow from US$21.2 billion in 2021 to US$81.5 billion in 2031 with a CAGR of 14.4%. This is expected to be mainly driven by the increasing prevalence of osteoporosis disease as well as the approval and launch of new products. The Group is of strong confidence that Bogutai® will be a future blockbuster to seize this massive market opportunity.

Mid-Term: Continuous Iteration of EGF Products to Expand Dosage Forms and Applications, Further Diversifying the Outreach while Broadening Ophthalmology Products Offerings

The Group has always been exploring innovations for its EGF products to further extend product life span and expand the scope of applications. The focus lately is to upgrade the product formula to extend the expiration of its active ingredients to 24 months. The latest findings say the improved formula is safe and stable at room temperature for storage, which will bring greater convenience for clinics as well as lowering the Group's production frequency and transportation cost. The Group is also exploring different dosage forms of GeneTime®, such as gel form, films form and VSD foam dressings, which would enable long-term sterile protection for new wounds and provide a moist healing environment to avoid the loss of active ingredient EGF, effectively delaying the scabbing of wounds. The collaboration with Nano and Advanced Materials Institute (NAMI) on the new formulation of rhEGF product with one of NAMI's core technologies, Healthcare Nanofiber is also in good progress. The advanced product could be a breakthrough in wound healing and become a replacement for the existing silver ion dressings, which doctors have continuous concerns about its low toxicity.

It is worth mentioning that the Group is planning to kick off the development of single-dose form of GeneSoft® (no preservatives) utilizing a new Blowing Filling and Sealing ("**BFS**") packaging technology. The single-dose form product is safer and more convenient to use when compared with the traditional multi-dose droppers. In addition, the Group has continued to explore various ophthalmology products to fully utilize the capacity of the under-constructed BFS production line. One of the products in development is Diquafosol Sodium Eye Drops, a high-value generic product for dry eye syndrome. Leveraging its cost advantages of API as well as the BFS manufacturing technology, the Group is confident that the product could capture the underserved dry eye market. This product is complementary to GeneSoft®, and can generate synergy in sales.

Long-Term: Committed to Further Expanding the Portfolio of Best-in-class Products through Technology Collaborations

Uni-Bio Science Group has been building a highly commercial-driven and specialized boutique R&D platform, tightly integrating research and production under one roof. Leveraging the Group's advanced scientific research technology, together with the innovative capabilities of its technology partners, the Group will continue to enhance its comprehensive R&D strength, diversifying its best-in-class drug portfolio while expanding its business scope beyond.

The Group will continue to actively expand its R&D channels, carry out multi-level R&D cooperations with different institutes, including but not limited to universities to develop innovative biologic formulation technology, such as oral-peptide technology and CEPP. The Group is also exploring new drug candidates using new antibody modalities, such as the partnership to develop single domain antibodies for the use of AMD and other retinal diseases. It is believed that with the diversification of dosage forms and applications, the Group can further broaden its servicing targets and offer better treatment options to patients.

The Group will adhere to its "Strong R&D" direction, continuously cultivate its internal strength. The Group has been collecting data for developing the 3rd Generation oral form Uni-PTH, of which no relevant products exist in the market yet. The oral form has significant advantages in terms of convenience, storage, transportation as well as patient compliance, which can be complementary to the 2nd Generation Uni-PTH (pre-filled injection pen). This further enhances the Group's competitive advantages in the endocrine field and diversifies the medical options for osteoporosis patients. In addition, the Group has been preparing the development of oral dosage forms of GLP-1. The oral dosage form has already conducted animal testing and is proven that its effects are better than the existing products in the market. The Uni-GLP-1 focusing on weight loss formula is also ready for patent application, of which it will benefit to patient's liver and can stabilize their insulin level. The Group is particularly excited about the prospects of its oral GLP-1 and will accelerate the R&D progress, targeting to launch the product in the near future.

Last but not least, the Group's CMO business has successfully attracted strategic cooperations with multiple customers over the past few years leveraging on the Group's existing strong know-how of commercialization and bio-manufacturing. The Group will continue to invest further to expand its CMO capacity to cover a wider range of potential clients, as well as integrate new manufacturing technologies to provide differentiated solutions compared with other market participants.

Liquidity and Financial Resources

As at 30 June 2022, the Group's bank deposits, bank balances and cash amounted to approximately HK$81,933,000. The Group had total assets of approximately HK$262,478,000 (as at 31 December 2021: HK$267,593,000), and current assets of approximately HK$200,401,000 (as at 31 December 2021: HK$201,665,000), while current liabilities were at HK$76,613,000 as at 30 June 2022 (as at 31 December 2021: HK$92,301,000). The total liabilities to total assets ratio is 31.2% as at 30 June 2022 (as at 31 December 2021: 34.9%).

Significant Investments and Future Plans for Material Investments or Capital Assets

During the six months ended 30 June 2022, the Group did not have any significant investments or future plans for material investments or capital assets.

Material Acquisitions and Disposals of Assets, Subsidiaries, Associated Companies and Joint Ventures

Saved as disclosed herein, the Group did not make any material acquisitions and disposals of assets, subsidiaries, associated company and joint ventures during the six months ended 30 June 2022.

Connected Transaction

On 4 January 2022, Uni-Bioscience Pharm Company Limited ("**Uni-Bioscience Pharm.**"), an indirect wholly-owned subsidiary of the Company, and Baocui Biotechnology Co., Ltd. ("**Baocui**") entered into a research and development cooperation agreement (the "**R&D Cooperation Agreement**") in relation to the Project to jointly develop the New Project Materials for medical aesthetics purposes (the "**Project**"). The expected total amount to be contributed by Uni-Bioscience Pharm. for the Project is approximately RMB4.9 million (equivalent to approximately HK$6.0 million) taking into account the scope and scale of the Project.

As Baocui is an associate of Mr. Kingsley Leung ("**Mr. Leung**"), an executive Director and Chairman of the Board, Baocui is a connected person of the Company and accordingly the transactions contemplated under the R&D Cooperation Agreement constitute a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

Details of the Cooperation Agreement are set out in the announcement of the Company dated 4 January 2022.

On 5 May 2022, Guangdong Watsin Genetic Engineering Development Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Global Cosmetic (China) Company Limited (the "**Landlord**") in respect of the Lease of the Premises for a term of ten years commencing on 1 May 2022 and ending on 30 April 2032 (both days inclusive) for the Group's certain new production facilities, pursuant to Lease Contract at a total aggregated value of consideration payment is approximately RMB5.39 million (equivalently to approximately HK$6.45 million). The payment of the rent will be funded by the internal resources of the Group.

The Landlord is ultimately owned as to 100% by Madam Judy Lau ("**Ms. Lau**"), the mother of Mr. Leung. Accordingly, the Landlord is an associate of Ms. Lau who is a connected person of the Company, and thus and Landlord is a connected person of the Company under the Listing Rules.

Details of the Lease Contract are set out in the announcement of the Company dated 5 May 2022.

Pledge of Assets and Contingent Liabilities

As of 30 June 2022, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

Employment and Remuneration Policy

As of 30 June 2022, the Group employed 340 staff, including 32 staff in the PRC R&D department, 170 staff in the PRC production department, 78 staff in the PRC commercial office and 6 staff in the Hong Kong headquarters. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

Corporate Governance

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2022.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2022.

Purchase, Sale or Redemption of the Company's Listed Shares

During the six months ended 30 June 2022, 15,000,000 Services Shares were issued to Mr. Chen Dawei as an executive Director of the Company on 11 April 2022 pursuant to his service agreement.

Save as disclose above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2022.

Events after the Reporting Period

There are no significant subsequent events after the Reporting Period.

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2022.

Audit Committee

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qinshan. The audit committee has reviewed the unaudited consolidated financial statements of the Group of the six months ended 30 June 2022.

Publication of the Consolidated Results and 2022 Interim Report on the Websites of the Stock Exchange and the Company

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uni-bioscience.com). The interim report for the six months ended 30 June 2022 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**195,578**	156,984
Cost of sales		**(51,071)**	(32,540)
Gross profit		**144,507**	124,444
Other revenue		**5,613**	87
Other gains and losses		**842**	842
Selling and distribution costs		**(84,989)**	(76,105)
General and administrative expenses		**(23,714)**	(22,292)
Research and development costs		**(24,316)**	(21,368)
Equity-settled share based payment expenses		**(92)**	(2,445)
Provision for litigation	*15*	**(2,394)**	–
Profit from operation		**15,457**	3,163
Finance costs		**(168)**	(273)
Profit before taxation	*4*	**15,289**	2,890
Income tax expense	*6*	**(650)**	(973)
Profit for the period		**14,639**	1,917
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation on foreign operations		**(8,413)**	2,251
Other comprehensive (expense)/income for the period		**(8,413)**	2,251
Total comprehensive income for the period		**6,226**	4,168
Earnings per share *(HK cents)*			
— Basic and diluted	*7*	**0.23**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**Unaudited 30 June 2022** ***HK$'000***	Audited 31 December 2021 *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**39,206**	43,888
Right-of-use assets	*9*	**15,492**	13,562
Intangible assets	*10*	**7,379**	8,177
Deposits paid for the acquisition of property, plant and equipment		**–**	301
		62,077	65,928
Current assets			
Inventories		**45,179**	39,710
Trade and other receivables	*11*	**73,289**	78,346
Bank balances and cash		**81,933**	83,609
		200,401	201,665
Current liabilities			
Trade and other payables	*12*	**32,295**	54,827
Contract liabilities		**26,415**	20,207
Income tax payable		**2,955**	1,717
Lease liabilities	*9*	**2,845**	4,613
Amount due to a related party		**12,103**	10,937
		76,613	92,301
Net current assets		**123,788**	109,364
Total assets less current liabilities		**185,865**	175,292
Non-current liability			
Lease liabilities	*9*	**5,240**	985
		5,240	985
NET ASSETS		**180,625**	174,307
Capital and reserves			
Share capital	*13*	**63,648**	63,498
Reserves		**116,977**	110,809
TOTAL EQUITY		**180,625**	174,307

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Net cash from operating activities	**9,547**	40,021
Net cash (used in)/generated from investing activities	**(3,137)**	32,262
Net cash used in financing activities	**(897)**	(2,316)
Net increase in cash and cash equivalents	**5,513**	69,967
Cash and cash equivalents at the beginning of the period	**83,609**	25,012
Net effect of foreign exchange rate changes	**(7,189)**	2,251
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**81,933**	97,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Treasury stock** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Distributable reserve** *(Note a)* *HK$'000*	**Exchange reserve** *(Note b)* *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2021 (audited)	63,910	754,894	–	39,148	1,291,798	49,739	(2,010,078)	189,411
Other comprehensive income for the period	–	–	–	–	–	2,251	–	2,251
Profit for the period	–	–	–	–	–	–	1,917	1,917
Total comprehensive income for the period	–	–	–	–	–	2,251	1,917	4,168
Issue of ordinary shares in relation to award of new shares	150	1,320	–	(1,470)	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	2,445	–	–	–	2,445
Repurchase of shares	–	–	(1,442)	–	–	–	–	(1,442)
At 30 June 2021 (unaudited)	64,060	756,214	(1,442)	40,123	1,291,798	51,990	(2,008,161)	194,582
At 1 January 2022 (audited)	**63,498**	**750,766**	**–**	**41,612**	**1,291,798**	**56,302**	**(2,029,669)**	**174,307**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(8,413)**	**–**	**(8,413)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**14,639**	**14,639**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(8,413)**	**14,639**	**6,226**
Issue of ordinary shares in relation to award of new shares	**150**	**990**	**–**	**(1,140)**	**–**	**–**	**–**	**–**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**92**	**–**	**–**	**–**	**92**
At 30 June 2022 (unaudited)	**63,648**	**751,756**	**–**	**40,564**	**1,291,798**	**47,889**	**(2,015,030)**	**180,625**

Note a: The distributable reserve represents credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010. Under the Company Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve. Such exchange differences accumulated in the exchange translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

NOTES TO CONDENSED ACCOUNTS

1. ORGANISATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Group is principally engaged in bioscience related business with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies.

2. BASIS OF PREPARATION AND PRINCIPAL POLICIES

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on Stock Exchange (the "**Listing Rules**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the twelve months ended 31 December 2021.

In the Period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and Interpretations issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1, First-time adoption of HKFRSs
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Lease

The adoption of the above new or revised HKFRSs in the current period did not have any significant impact on the financial position and performance of the Group.

The following amendments to HKAS and HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimate[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] The amendments shall applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these amendments to HKFRSs and HKASs will have no material impact on the Group's financial performance and positions and/or the disclosures to these condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are analysed as follows:

(a)	Chemical pharmaceutical products	– manufacture and sale of chemical pharmaceutical products
(b)	Biological pharmaceutical products	– manufacture and sale of biological pharmaceutical products
(c)	Pipeline products	– research and development of pharmaceutical products

The information of the reportable segment results are as follows:

For the six months ended 30 June 2022 (unaudited)

	Chemical pharmaceutical products *HK$'000*	**Biological pharmaceutical products** *HK$'000*	**Pipeline products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue				
External sales	**105,084**	**90,494**	**–**	**195,578**
Result				
Segment profit/(loss)	**20,192**	**20,307**	**(24,316)**	**16,183**
Other income				**5,613**
Finance costs				**(168)**
Equity-settled share based payment expense				**(92)**
Unallocated administration expenses				**(6,247)**
Profit before taxation				**15,289**

For the six months ended 30 June 2021 (unaudited)

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	57,382	99,602	–	156,984
Result				
Segment profit/(loss)	19,195	15,145	(21,368)	12,972
Other income				87
Finance costs				(273)
Equity-settled share based payment expense				(2,445)
Unallocated administration expenses				(7,451)
Profit before taxation				2,890

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Amortisation of intangible assets	**447**	444
Cost of inventories recognised as an expenses	**51,071**	32,540
Depreciation of property, plant and equipment	**9,705**	7,618
Depreciation of right-of-use assets	**2,411**	2,320
Less: Depreciation included in research and development costs	**(2,598)**	(2,899)
	9,518	7,039
Research and development costs	**24,316**	21,368
Less: Capitalisation on intangible assets	**–**	–
	24,316	21,368

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefit	**26,243**	24,369
Retirement benefit scheme contribution	**4,068**	3,732
Equity-settled share based payments	**92**	2,445
	30,403	30,546

6. INCOME TAX EXPENSE

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
The PRC Enterprise Income Tax ("**EIT**")	**650**	973

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Pharmaceutical Co., Limited, wholly owned subsidiaries of the Company, were approved as "high-new technology enterprise" and were eligible to enjoy a preferential enterprise income tax rate of 15% for the six months ended 30 June 2021 and 2022.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**14,639**	1,917

	Unaudited Six months ended 30 June	
	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**6,354,906**	6,396,892

For the six months ended 30 June 2022 and 2021, the computation of diluted earnings per share does not assume the conversion of certain share options as the exercise price of these share options are higher than the average market price of the Company.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Acquisitions and disposals

During the six months ended 30 June 2022, the Group acquired items of plant and machinery with a cost of HK$4,908,000 (six months ended 30 June 2021: HK$$2,279,000). Items of plant and machinery with a net book value of HK$1,632,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK$16,000), resulting in a loss on disposal of HK$1,000 (six months ended 30 June 2021: a loss on disposal of HK$16,000).

(b) Impairment losses

During the six months ended 30 June 2022 and 2021, no impairment loss of Property, Plant and Equipment and Investment properties were recognised by the Group.

9. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
Land use rights, carried at depreciated cost	**7,696**	8,210
Leased properties, carried at depreciated cost	**7,796**	5,352
	15,492	13,562

During the six months ended 30 June 2022, the Group entered into new lease agreements for a factory for 10 years, and therefore recognised the additions to right-of-use assets of HK$4,942,000 (six months ended 30 June 2021: HK$6,642,000), which is related to buildings leased from a connected party of the Group (six months ended 30 June 2021: HK$6,180,000).

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

Lease Liabilities

The carrying amount of lease liabilities are as follows:

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
Maturity analysis		
Less than one year	**2,845**	4,613
Over one year and more	**5,240**	985
Total lease liabilities	**8,085**	5,598
Analysed as:		
Current portion	**2,845**	4,613
Non-current portion	**5,240**	985
	8,085	5,598

10. INTANGIBLE ASSETS

Carrying amount

	Trademarks and certificates *(Note a)* *HK$'000*	**Technical know-how** *(Note b)* *HK$'000*	**Capitalised development costs** *(Note c)* *HK$'000*	**Total** *HK$'000*
At 30 June 2022 (unaudited)	**–**	**3,438**	**3,941**	**7,379**
At 31 December 2021 (audited)	–	3,810	4,367	8,177

All intangible assets are amortised on a straight-line basis over the following periods:

Trademarks and certificates	10 to 15 years
Technology know-how	10 years
Capitalised development costs	10 years

Notes:

(a) Trademarks and certificates represent costs in obtaining trademarks and registration certificates for pharmaceutical products.

(b) Technical know-how mainly represents techniques and formulas acquired separately for the development of products and production technology.

(c) Capitalised development costs mainly represent costs generated internally for the development of products and product technology.

(d) All intangible assets have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(e) The directors of the Company conducted an impairment review of the Group's intangible assets annually. During the six months ended 30 June 2021 and 2022, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
Trade receivables	**40,967**	46,016
Less: Loss allowance	**(1,481)**	(1,550)
	39,486	44,466
Bill receivables	**15,119**	27,164
Deposits, prepayments and other receivables	**18,786**	6,856
Less: Loss allowance	**(102)**	(140)
	18,684	6,716
	73,289	78,346

Note: As at 31 December 2021 and 30 June 2022, trade receivables from contracts with customers amounted to HK$44,466,000 and HK$39,486,000 respectively.

The following is an ageing analysis of trade receivables based on the invoice dates, as at the end of the reporting period:

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
0–90 days	**33,815**	32,903
91–120 days	**1,204**	5,292
121–180 days	**847**	640
181–360 days	**901**	4,814
Over 360 days	**4,200**	2,367
	40,967	46,016
Less: Loss allowance	**(1,481)**	(1,550)
	39,486	44,466

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
Trade payables	**8,445**	5,263
Other payables	**7,548**	6,354
Accruals	**16,302**	43,210
	32,295	54,827

The ageing analysis of trade payables at the end of the reporting period based on transaction date is as follows:

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
0–30 days	**6,177**	3,886
31–60 days	**598**	119
61–90 days	**72**	274
Over 90 days	**1,598**	984
	8,445	5,263

The average credit period on purchases of goods is 120 days (31 December 2021: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

13. SHARE CAPITAL

Ordinary share of HK$0.01 each

	Number of shares	Amount *HK$'000*
Authorised:		
At 31 December 2021 and 30 June 2022	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2022	6,349,768,147	63,498
Issue of ordinary shares in relation to award of new shares	15,000,000	150
At 30 June 2022	6,364,768,147	63,648

14. SHARE OPTIONS

On 26 September 2016, a New Share Option Scheme was adopted by the Company ("**2016 Scheme**") and replaced the share option scheme approved on 22 September 2006.

Under the 2016 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("**Eligible Participants**") who contribute to the development and growth of the Group. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non- executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest; (ii) any non-executive director (including independent non- executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

At 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 563,055,000 (At 31 December 2021: 563,055,000), representing 8.85% (At 31 December 2021: 8.87%) of the ordinary shares in issue at that date.

Details of the share option movements during the six months ended 30 June 2021 and 2022 are as follow:

Share options grant date	Outstanding at 1.1.2022 *'000*	Granted during the period *'000*	Exercised during the period *'000*	Lapsed during the period *'000*	Cancelled during the period *'000*	Outstanding at 30.06.2022 *'000*
12 September 2014 Directors	**8,560**	**–**	**–**	**–**	**–**	**8,560**
12 September 2014 Others	**360**	**–**	**–**	**–**	**–**	**360**
23 January 2015 Employees	**10,880**	**–**	**–**	**–**	**–**	**10,880**
23 January 2015 Others	**33,100**	**–**	**–**	**–**	**–**	**33,100**
10 July 2015 Directors	**7,260**	**–**	**–**	**–**	**–**	**7,260**
17 August 2015 Others	**120,000**	**–**	**–**	**–**	**–**	**120,000**
27 January 2016 Employees	**20,700**	**–**	**–**	**–**	**–**	**20,700**
27 January 2016 Others	**1,300**	**–**	**–**	**–**	**–**	**1,300**
7 October 2016 Directors	**10,880**	**–**	**–**	**–**	**–**	**10,880**
3 April 2017 Employees	**34,950**	**–**	**–**	**–**	**–**	**34,950**
3 April 2017 Others	**2,010**	**–**	**–**	**–**	**–**	**2,010**
16 November 2017 Directors	**16,073**	**–**	**–**	**–**	**–**	**16,073**
9 April 2018 Senior Management	**11,990**	**–**	**–**	**–**	**–**	**11,990**
9 April 2018 Employees	**20,224**	**–**	**–**	**–**	**–**	**20,224**
5 July 2018 Others	**3,000**	**–**	**–**	**–**	**–**	**3,000**
9 April 2019 Directors	**66,179**	**–**	**–**	**–**	**–**	**66,179**
9 April 2019 Employees	**62,449**	**–**	**–**	**–**	**–**	**62,449**
9 April 2019 Others	**3,300**	**–**	**–**	**–**	**–**	**3,300**
2 April 2020 Employees	**35,780**	**–**	**–**	**–**	**–**	**35,780**
2 April 2020 Others	**35,000**	**–**	**–**	**–**	**–**	**35,000**
31 August 2020 Executive Directors	**33,380**	**–**	**–**	**–**	**–**	**33,380**
31 August 2020 Non-Executive Directors	**25,680**	**–**	**–**	**–**	**–**	**25,680**
	563,055	**–**	**–**	**–**	**–**	**563,055**
Exercisable at the end of the period						**563,055**
Weighted average exercise price	**HK$0.18**	**–**	**–**	**–**	**–**	**HK$0.18**

Share options grant date	Outstanding at 1.1.2021 *'000*	Granted during the period *'000*	Exercised during the period *'000*	Lapsed during the period *'000*	Cancelled during the period *'000*	Outstanding at 30.06.2021 *'000*
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,073	–	–	–	–	16,073
9 April 2018 Senior Management	11,990	–	–	–	–	11,990
9 April 2018 Employees	20,224	–	–	–	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	66,179	–	–	–	–	66,179
9 April 2019 Employees	62,449	–	–	–	–	62,449
9 April 2019 Others	3,300	–	–	–	–	3,300
2 April 2020 Employees	35,780	–	–	–	–	35,780
2 April 2020 Others	35,000	–	–	–	–	35,000
31 August 2020 Executive Directors	33,380	–	–	–	–	33,380
31 August 2020 Non-Executive Directors	25,680	–	–	–	–	25,680
	563,055	–	–	–	–	563,055
Exercisable at the end of the period						445,420
Weighted average exercise price	HK$0.18	–	–	–	–	HK$0.18

15. PROVISION, LITIGATION AND CONTINGENT

On 29 June 2021, Beijing Genetech Pharmaceutical Co., Limited ("**Beijing Genetech**"), one of the major production subsidiaries of the Company received a notice of arbitration filed with China International Economic and Trade Arbitration Commission (the "**CIETAC**") against Beijing Genetech by a distributor (the "**Distributor**") for one of the marketed drugs of the Group.

The Distributor filed claims against Beijing Genetech for damages arising from breach of a written distribution agreement made between the Distributor and Beijing Genetech dated 6 June 2019 amounting to approximately RMB34,000,000 (equivalent to approximately HK$41,033,000) in aggregate, together with legal fees, arbitration fees and other related costs. Upon receipt of the aforesaid arbitration notices, the Company has appointed an attorney for active response to the case.

On 15 November 2021, Beijing Genetech submitted its written defences to CIETAC to deny its liability to pay the said sums for the aforementioned arbitration. On 30 November 2021, Beijing Genetech filed counter-arbitration petitions to request for the termination of aforementioned distribution agreement and against the Distributor for the legal fees, arbitration fees and other related costs. The counter-arbitration petition has been accepted by the CIETAC.

On 6 January 2022, the Distributor submitted an application for modification of the arbitration request. In the said modification arbitration request application, the Distributor demanded compensation amounting to approximately RMB87,331,000 (equivalent to approximately HK$105,396,000) as well as the settlement of other related costs by Beijing Genetech. The modification arbitration request application has not been accepted by the CIETAC.

As a result of the foregoing, the Group made a provision of approximately RMB12,934,000 (equivalent to approximately HK$15,610,000) for the above litigation claim for the year ended 31 December 2021.

On 12 June 2022, Beijing Genetech received a decision made by the CIETAC (the "**Decision**"). Pursuant to the Decision, Beijing Genetech was ordered to make a payment of service fee payables, a repayment of royalty fee paid by the Distributor and the corresponding compensation payments of approximately RMB14,919,000 (equivalent to approximately HK$17,996,000) of which an aggregate amount of RMB12,934,000 (equivalent to approximately HK$15,610,000) had been included in the provision amount as at 31 December 2021. There was a further provision of approximately RMB1,985,000 (equivalent to approximately HK$2,394,000) for the above litigation claim was made for the period ended 30 June 2022.

Apart from the aforesaid case, the Group was not involved in any other material litigation or arbitration during the period ended 30 June 2022.

16. CAPITAL COMMITMENT

	Unaudited 30 June 2022	Audited 31 December 2021
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— purchase of property, plant and equipment	**20,535**	2,480
— purchase of intangible asset	**14,101**	14,757
— research and development activities	**198**	1,184
	34,834	18,421

17. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

18. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

To support the Group's stability and growth; and

To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

By Order of the Board
Uni-Bio Science Group Limited
Kingsley Leung
Chairman

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Kingsley Leung (Chairman), Mr. Chen Dawei (Vice-Chairman) and Mr. Zhao Zhi Gang; one non-executive Director, Mr. Yau Kwok Wing Tony; and three independent non-executive Directors, namely, Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qingshan.